

Message Text

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PAGE 01 SOFIA 01416 101529Z

70

ACTION CEA-01

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CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CIAE-00 COME-00

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FM AMEMBASSY SOFIA

TO SECSTATE WASHDC 9870

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY WARSAW

C O N F I D E N T I A L SOFIA 1416

E.O. 11652: GDS

TAGS: EFIN, XH, BU, UR

SUBJECT: PRICES (C-ER-5-59079)

REFS: A) STATE 130219; B) SOFIA 0563

1. INVITED SOVIET AMBASSADOR BAZOVSKII FOR TEA JULY 9
AND TALKED ABOUT HOW BULGARIA WILL MAKE UP FOR INCREASED
SOVIET ENERGY AND OTHER RAW MATERIALS PRICES AND HOW,
SPECIFICALLY, IT WILL BALANCE ITS FOREIGN ACCOUNTS IN VIEW
OF GROWING GAP BETWEEN IMPORTS AND EXPORTS. BAZOVSKII
GAVE OUT NOTHING BUT GENERALITIES, BUT IN VIEW OF PAUCITY
OF INFORMATION ON SUBJECT SOME GRAINS OF SIGNIFICANCE
MAY BE FOUND BY ANALYSTS IN WHAT HE SAID:

A. ONE MUST NOT FORGET SUBSTANTIAL SIZE OF BULGARIAN
INVESTMENTS IN THE SOVIET UNION, IN TIMBER, ORE EXTRACTION,
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PAGE 02 SOFIA 01416 101529Z

CELLULOSE PRODUCTION AND OTHER INDUSTRIES. BULGARIA

ALSO HAS PROPORTIONATELY MORE IMPORTANT PARTICIPATION
THAN OTHER EE COUNTRIES IN THE ORENBURG GAS PIPELINE.

B. INCREASED SOVIET PRICES TO BULGARIA WENT INTO
EFFECT AS OF JANUARY 1, 1975 BUT INCREASED PRICES FOR
BULGARIAN EXPORTS TO THE USSR ALSO WENT INTO EFFECT FOR
THE SAME TIME FRAME. INCREASED BULGARIAN PRICES APPLY
BOTH TO FOOD EXPORTS AND TO MACHINERY AND OTHER GOODS.
BAZOVSKII REFUSED TO BE DRAWN OUT ABOUT DETAILS. WHEN
I SUGGESTED MEANS OTHER THAN INCREASED PRICES WHICH USSR
COULD HAVE USED TO HELP BRIDGE THE GAP, HE SEEMED TO REGARD
SUCH MEANS UNNECESSARY BECAUSE BULGARIA DOES NOT HAVE THE
KIND OF PROBLEM THAT EXISTS FOR INSTANCE IN THE CASE OF
HUNGARY.

C. BAZOVSKII, WHO LAST MARCH (REF B) HAD AIRILY
STATED THAT USSR-BULGARIAN TRADE WOULD CONTINUE TO BE IN
BALANCE, WAS A LITTLE LESS CATEGORIC THIS TIME BUT STILL
QUITE OPTIMISTIC. HE SAID ACCOUNTS FOR 1975 WOULD BE
"SUBSTANTIALLY" IN BALANCE, AND ANY DIFFERENCE WOULD BE
OF NEGLIGIBLE PROPORTIONS. HE WENT INTO A LENGTHY DIS-
QUISITION OF HOW PROFITABLE SOVIET-BULGARIAN TRADE IS
FOR BULGARIA SINCE LATTER IS OBTAINING RAW MATERIALS AT
LESS THAN WORLD MARKET PRICES AND SELLING FOOD AND IN-
DUSTRIAL GOODS AT VERY ADVANTAGEOUS PRICES TO THE USSR;
BUT HE GAVE NO SPECIFICS, EXCEPT TO STATE THAT TRADE BOTH
WAYS THIS YEAR WOULD BE AT 3.1 BILLION RUBLES "AT 1971
PRICES".

2. COMMENT: BY COMPARING WHAT BAZOVSKII SAID JULY 9 WITH
HIS REMARKS ON MARCH 26, ONE THING STANDS OUT: HIS EMPHASIS
ON IMPORTANCE OF BULGARIAN INVESTMENTS IN THE USSR. IN
LIGHT OF THE PREVAILING APPARENT EQUANIMITY HERE ABOUT THE
SOVIET PRICE RISES, AND BAZOVSKII'S OWN INSISTENCE THAT
BALANCING THE BOOKS IN 1975 WILL POSE NO PROBLEM, WE ARE
INCLINED TO THINK THAT CONCESSIONS THE BULGARIANS RECEIVED
FROM THE USSR MAY HAVE BEEN NOT ONLY IN PRICING OF THEIR EX-
PORTS TO THE USSR BUT ALSO IN VALUATION OF INVESTMENT
EXPENDITURES.

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PAGE 03 SOFIA 01416 101529Z

3. NEW SUBJECT. ON TRADE WITH THE WEST, BAZOVSKII SAID
EXACTLY WHAT WE HAVE BEEN HEARING FROM BULGARIAN OFFICIALS:
THAT THE 1974 DEFICIT IS "NORMAL" IN CONTEXT OF A RAPIDLY
EXPENDING ECONOMY; THAT QUALITY OF BULGARIAN INDUSTRIAL
PRODUCTS MUST BE IMPROVED TO MAKE THEM MORE COMPETITIVE;
AND THAT THERE IS GREAT POTENTIAL FOR INCREASED TRADE
WITH THE UNITED STATES. THE SOVIET AMBASSADOR ALSO SPECIFICALLY
REMARKED ABOUT THE DESIRABILITY OF AMERICAN PARTICIPATION

IN THE THIRD METALLURGICAL COMPLEX AND SPOKE APPROVINGLY OF
KAISER INDUSTRIES.
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